

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

by
THE FEDERAL RESERVE BANK OF RICHMOND
RICHMOND, VIRGINIA

STATE OF MARYLAND
DIVISION OF FINANCIAL REGULATION
BALTIMORE, MARYLAND

CENTRAL BANK OF IRELAND
DUBLIN, IRELAND

Written Agreement by and among)
)
ALLIED IRISH BANKS, p.l.c.)
Dublin, Ireland)
)
ALLFIRST FINANCIAL INC.)
Baltimore, Maryland)
)
ALLFIRST BANK)
Baltimore, Maryland)
)
FEDERAL RESERVE BANK)
OF RICHMOND)
Richmond, Virginia)
)
MARYLAND COMMISSIONER)
OF FINANCIAL REGULATION)
Baltimore, Maryland)
)
and)
)
CENTRAL BANK OF IRELAND)
Dublin, Ireland)

WHEREAS, Allfirst Financial Inc., Baltimore, Maryland ("Allfirst Financial"), a registered U.S. bank holding company, is a subsidiary of Allied Irish Banks, p.l.c., Dublin, Ireland ("AIB"), and Allfirst Financial's subsidiary bank, Allfirst Bank, Baltimore, Maryland (the "Bank"), is a state chartered bank that is a member of the Federal Reserve System;

WHEREAS, for the purposes of this Written Agreement (the "Agreement") Allfirst Financial, the Bank, and AIB insofar as it conducts operations in the United States shall be referred to as the "U.S. Group," and the provisions of this Agreement shall be regarded as applicable to AIB insofar as it or any member of the U.S. Group conducts operations within the United States and not as referring to operations of AIB or any subsidiary in Ireland, the United Kingdom, Poland or elsewhere except to the extent that such last mentioned operations impact upon or are integrated with operations within the United States;

WHEREAS, after the discovery of significant foreign exchange trading losses resulting from the illicit activities of a Bank trader and other deficiencies in the U.S. Group, AIB and the Bank promptly recognized the need to take appropriate actions to improve management oversight, day-to-day risk management, internal controls, audit standards, management information systems, and policies and procedures for Treasury management and operations functions (including equity, debt, foreign exchange, and other market trading) of the U.S. Group ("Treasury Operations");

WHEREAS, AIB and the Bank made changes to management and to trading activities, and retained, or expects to retain, several consultants (collectively the "Consultants") to conduct, *inter alia*, an investigation into trading losses at the Bank (on which certain of the Consultants produced a report dated March 12, 2002 (the "Report")), a risk review of AIB's Treasury Operations, and a review of AIB's risk management framework as well as to assist in the development and implementation of new or enhanced policies and procedures in each of the aforementioned areas of operations;

WHEREAS, actions and decisions of the U.S. Group on all such matters, insofar as they concern the operations and financial soundness of the Bank, are, and are acknowledged by AIB to be, of relevance to the Federal Reserve Bank of Richmond and the Maryland Commissioner of Financial Regulation (collectively the "U.S. Supervisors") in the discharge of their banking supervision functions;

WHEREAS, the Central Bank of Ireland, the supervisor of AIB under banking and other financial services supervision laws of Ireland, has notified and may from time to time notify AIB of its requirements for oversight and action by AIB in respect of the matters above referred to and other matters, and has been advised of and by its execution of this Agreement endorses the intention of the other parties to enter into this Agreement;

WHEREAS, the Central Bank of Ireland and the U.S. Supervisors (collectively the "Supervisors") shall liaise and co-operate and may require to disclose, on a confidential basis to the extent permitted by law, to each other information about the affairs of AIB, the Bank and Allfirst Financial which is or may be of relevance to their respective regulatory and supervision functions and each of AIB, the Bank and Allfirst Financial by its execution of this Agreement consents for all such purposes to such disclosure;

WHEREAS, in recognition of the common goal to continue the enhancements and improvements undertaken by the U.S. Group, the Supervisors and the Bank, Allfirst Financial, and AIB have mutually agreed to enter into this Agreement; and

WHEREAS, on May 8, 2002, the board of directors of AIB, and, on May 13, 2002, the boards of directors of the Bank and Allfirst Financial, at duly constituted meetings, adopted resolutions authorizing and directing Susan Keating, Eugene Sheehy, and Michael Buckley to enter into this Agreement on behalf of the Bank, Allfirst Financial, and AIB, and consenting to compliance by the Bank, Allfirst Financial, and AIB, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act (the "FDI Act"), and as authorized by section 8 of the FDI Act and MD. Code Annotated, Financial Institutions, Section 5-808.

NOW, THEREFORE, the Bank, Allfirst Financial, and AIB and the Supervisors agree as follows:

Immediate Management Actions

1. Within 10 days of this Agreement, AIB shall submit to the Supervisors a written statement describing the immediate actions that are being taken by the management of the Bank, Allfirst Financial, and AIB to address the findings of the examination of the U.S. Group's management oversight, day-to-day risk management, internal controls, and audit functions and activities relating to the Bank's trading loss undertaken by the Supervisors and the recommendations contained in the Report.

Consultants' Reviews and Reports

2. (a) AIB shall continue to retain each of the Consultants that it hired prior to the date of this Agreement as contemplated under the respective retainer agreements.

(b) Within 10 days of this Agreement, to the extent not already provided, AIB shall provide copies of its engagement letters with the Consultants to the Supervisors for their review. The engagement letters will be reviewed by the Supervisors to ensure that the Consultants have been retained to conduct a comprehensive and timely review of the U.S. Group's operations and assist in the enhancement of policies and procedures designed to ensure that the U.S. Group conducts its activities in a safe and sound manner. The comprehensive review shall address, at a minimum, the U.S. Group's: (1) management structure and oversight, including an assessment of the duties performed by each senior officer and the ability of each such officer to perform competently his or her assigned duty; (2) risk management; (3) internal controls; (4) internal audit function; and (5) policies and procedures and controls for Treasury Operations. AIB shall make whatever changes are required by the Supervisors in the engagement letters within 10 days of any such request.

(c) The U.S. Group shall continue to fully cooperate with the Consultants and agrees that the Consultants will have complete access to all employees, books, records, and documents (including but not limited to all financial and legal documentation and communications) necessary to conduct their reviews. Upon the completion of a review by one of the Consultants, a copy of its report of its findings and recommendations shall be provided to the Supervisors at the same time that it is provided to AIB, and all information including, but not limited to, work papers, programs and procedures related to the comprehensive review shall be made available to the Supervisors by the Consultants upon request.

3. It is understood and agreed that AIB has retained a consultant to conduct a comprehensive review of overall risk management and corporate governance and that within 10 days of this Agreement AIB will submit its engagement letter for this assignment to the Central Bank of Ireland for its review and approval.

Obligations of AIB

4. AIB shall take such actions as are necessary to liaise with and inform the U.S. Supervisors in such manner as they may reasonably require in relation to all matters referred to in this Agreement that primarily concern the affairs or operations of AIB outside rather than within the United States but which may reasonably be expected to impact, directly or indirectly, upon the U.S. Group.

Management Review and Boards of Directors' Oversight

5. Within 60 days of the receipt of the last Consultants' report, the U.S. Group shall submit a written management plan to the Supervisors describing specific actions that the boards of directors propose to take in order to strengthen the organization's management and to improve the boards of directors' oversight of its officers and operations within the U.S. Group. The management plan shall fully address the Consultants' findings and recommendations and include detailed descriptions of the responsibilities of each affected senior officer of the U.S. Group, including level and depth of individual experience, reporting lines of authority and the responsibilities of subordinates.

6. Within 180 days of this Agreement, the boards of directors of the Bank, Allfirst Financial, and AIB shall each review its own management's adherence to the Bank's, Allfirst Financial's, and AIB's established risk management policies and procedures and shall prepare written findings and conclusions of this review along with written descriptions of any management and operational changes that are made as a result of the review. These written findings shall be included in the minutes of the board of directors and be available for subsequent supervisory review.

Risk Management, Internal Controls, and Management Information Systems

7. Within 60 days of the receipt of the last Consultants' report, the U.S. Group shall submit to the Supervisors acceptable policies and procedures designed to enhance risk management, internal controls and management information systems within the U.S. Group. These policies and procedures shall, at a minimum, address, consider, and include:

- (a) Management information systems that ensure that appropriate management personnel receive timely and accurate reports necessary to effectively monitor and manage business risks and appropriate compliance and audit resources to detect and correct weaknesses and deficiencies;
- (b) policies and procedures to review new business products and endeavors;
- (c) appropriate segregation of duties, including but not limited to, in Treasury Operations; and
- (d) comprehensive policies and procedures governing Treasury Operations to ensure the following:
 - (1) confirmation of all trading activity;
 - (2) accurate evaluation of risk and profitability of trading activity;
 - (3) accurate evaluation of market and credit risk exposures;
 - (4) adherence to policies and limits consistent with the safe and sound conduct of trading activities, and Treasury Operations;
 - (5) adequate review of counterparty credit risks and the use of prime brokerage accounts; and
 - (6) appropriate management of liquidity and funds management.

Audit Program

8. Within 60 days of the receipt of the last Consultants' report, the U.S. Group shall submit to the Supervisors an acceptable enhanced written internal audit program for the Bank, Allfirst Financial, and the U.S. operations of AIB. The program shall, at a minimum, address, consider, and include:

- (a) Generally accepted auditing standards, including the scope and frequency of audits and periodic audit reports, and written management responses to the boards of directors or appropriate committees of the boards of directors;

(b) identification of each operational area to be reviewed and the scope of the review;

(c) procedures to ensure the independence of the audit function, including appropriate escalation protocols;

(d) risk assessments to identify high risk areas and to ensure that ongoing internal audits of critical or high-risk areas are performed with reasonable frequency and depth, and that the adequacy and effectiveness of the internal control environment of each function are reviewed;

(e) independent testing of transactions to ascertain the adherence to policies and procedures; and

(f) procedures to monitor the status and ensure effective follow-up of corrective action taken to address weaknesses identified by audit, risk assessment and compliance personnel, and establish procedures to conduct targeted audits to evaluate remedial action.

Effects and Terms of the Agreement

9. The U.S. Group shall submit the policies and procedures and program required by paragraphs 7 and 8 hereof to the Supervisors for review and approval within the time frames set forth in this Agreement. The U.S. Group shall adopt the approved policies and procedures and program within 10 days of the Supervisors' approval and then shall fully comply with them. During the term of this Agreement, the approved policies and procedures and program shall not be amended or rescinded without the prior written approval of the Supervisors.

10. Within 30 days after the end of each calendar quarter (June 30, September 30, December 31, and March 31) following the date of this Agreement, the U.S. Group shall submit a written progress report to the Supervisors detailing the actions taken to comply with each provision of this Agreement and the results of those actions. The Bank and Allfirst Financial shall certify in writing to the Supervisors that the directors of each organization has reviewed each quarterly progress report required by this paragraph. AIB shall furnish such reports and confirmations in respect of such matters as the Supervisors may from time to time reasonably require. Such reports may be discontinued when the Supervisors, in writing, release the Bank, Allfirst Financial, and AIB from making further reports.

Communications

11. All communications regarding this Agreement shall be sent to

- (a) Jeffrey S. Kane
Senior Vice President
Banking Supervision and Regulation
Federal Reserve Bank of Richmond
Post Office Box 27622
Richmond, Virginia 23261
- (b) Adrian Byrne
Head of Banking Supervision
Central Bank of Ireland
P.O. Box 559
Dame Street, Dublin 2
Ireland
- (c) Mary Louise Preis
Maryland Commissioner of Financial Regulation
500 N. Calvert Street
Room 402
Baltimore, Maryland 21202
- (d) Michael Buckley
Group Chief Executive
Allied Irish Banks, p.l.c.
Bankcentre. P.O. Box 452
Ballsbridge, Dublin 4
Ireland
- (e) Eugene Sheehy
Chairman
Allfirst Financial Inc.
Allfirst Bank
25 South Charles Street
Baltimore, Maryland 21201
- (f) Susan Keating
Chief Executive Officer
Allfirst Financial Inc.
Allfirst Bank
25 South Charles Street
Baltimore, Maryland 21201

Miscellaneous

12. Notwithstanding any provision of this Agreement to the contrary, the Supervisors may, in their discretion, grant written extensions of time to the Bank, Allfirst Financial, or AIB to comply with any provision of this Agreement.

13. The provisions of this Agreement shall be binding upon the Bank, Allfirst Financial, and AIB, and all of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

14. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Supervisors.

15. The provisions of the Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Central Bank of Ireland, the State of Maryland Commissioner of Financial Regulation, or any other U.S., Ireland, or other foreign agency from taking any other action affecting the Bank, Allfirst Financial, and AIB or any of their current or former institution-affiliated parties and their successors and assigns.

16. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818), and by the Maryland Commissioner of Financial Regulation under MD. Code Annotated, Financial Institutions, Section 5-808.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the ____ day of _____ 2002.

Allied Irish Banks, p.l.c.

Federal Reserve Bank of Richmond

By: _____

By: _____

Allfirst Financial Inc.

Central Bank of Ireland

By: _____

By: _____

Allfirst Bank

Maryland Commissioner of Financial
Regulation

By: _____

By: _____

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 15th day of May, 2002.

Allied Irish Banks, p.l.c.

Federal Reserve Bank of Richmond

By: Michael Buckley

By: _____

Allfirst Financial Inc.

Central Bank of Ireland

By: _____

By: _____

Allfirst Bank

Maryland Commissioner of Financial
Regulation

By: _____

By: _____

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Central Bank of Ireland

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Central Bank of Ireland

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Allfirst Financial Inc.

Central Bank of Ireland

By: _____

By: _____

Allfirst Bank

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Allied Irish Banks, p.l.c.

Federal Reserve Bank of Richmond

By: _____

By: _____

Allfirst Financial Inc.

Central Bank of Ireland

By: _____

By: A. Byrne

Allfirst Bank

Maryland Commissioner of Financial
Regulation

By: _____

By: _____

Miscellaneous

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By: _____

By: _____

Allfirst Bank

Maryland Commissioner of Financial
Regulation

By: _____

By: Mary Louise Preis